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SUBJECT: VIETNAM'S PRIME MINISTER VISITS JAPAN:  
-- NO SURPRISES

REF: A. 02 Hanoi 1124 B. 02 Hanoi 2493

[1](#)1. (U) SUMMARY. Prime Minister Phan Van Khai's recent visit to Japan avoided potentially controversial political issues such as Iraq and North Korea, instead focusing on economic relations and aid. There is optimism that a bilateral investment agreement may be signed by the "end of this year" but many doubt whether it will have much real positive impact on attracting new investment. Vietnam pledged to use Japan's Official Development Assistance (ODA) more effectively. Khai's trip was probably aimed at reassuring both domestic audiences concerned about the economy and foreign audiences wondering about a simultaneous visit to Beijing by the Vietnamese Communist Party chief. END SUMMARY.

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IN LINE WITH TRADITION. . .  
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[1](#)2. (U) PM Khai visited Japan April 6 - 12 in the latest of several high-level bilateral exchanges. Communist Party of Vietnam (CPV) General Secretary Nong Duc Manh visited last October (ref b); Manh had been to Japan in 1995 in his previous role as National Assembly chairman. Then-CPV General Secretary Do Muoi and then-Prime Minister Vo Van Kiet visited in 1995 and 1993, respectively. Japanese Prime Minister Junichiro Koizumi came to Vietnam in April 2002 (ref a). Key officials accompanying Khai on this trip included:

--Minister of Planning and Investment Vo Hong Phuc;  
--Minister of Trade Truong Dinh Tuyen;  
--Office of the Government Director Doan Manh Giao;  
--Minister of Industry Hoang Trung Hai;  
--Minister of Post and Telecommunications Do Trung Ta; and,  
--leaders from 12 provinces.  
In addition to the GVN officials, about 60 business people, from both state-owned and private enterprises, accompanied Khai.

[1](#)3. (SBU) While PM Khai was in Japan, CPV General Secretary Manh was visiting the PRC (septel). Tran Quang Minh, Assistant Director of the Japan Studies Center of Vietnam's National Center for Social Sciences and Humanities, downplayed the nearly simultaneous timing of the visits, noting that "this was not the first time" that Vietnam's top leadership had been out of the country simultaneously. According to Japanese emboffs, PM Khai's visit was arranged with relatively little lead time, with the GVN suddenly announcing its desired dates. (Note: GVN high-level visits to the U.S. frequently unfold in a similar manner. End note)

[1](#)4. (U) Khai spent most of his time in Tokyo, but did spend part of a day in Fukuoka, where he held meetings with local officials and participated in ceremonies marking the opening of a new air route to Ho Chi Minh City. He then spent his last day in Osaka, meeting with civic and business leaders, before returning to Vietnam. In addition to meeting with his counterpart in Tokyo, Khai held "about 20 separate meetings" with Japanese ministers for finance, economy, trade, and industry, as well as parliamentarians and business leaders, according to press reports. Matsushita and the GVN's Ministry of Planning and Investment signed a memorandum of understanding for the company's plans to establish home appliance manufacturing facilities in Vietnam.

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AVOIDING POLITICAL ISSUES  
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[1](#)5. (SBU) According to Japanese emboffs, there were no genuinely substantive discussions of political issues, especially given that the large meeting in which the two prime ministers participated lasted only about fifty minutes, including time for interpretation. Emboffs recounted that, prior to the visit, a Ministry of Foreign Affairs Deputy Director General responsible for the Middle East had sought reassurances that the Japanese side was not

planning to raise Iraq; he was clearly concerned of the possibility that the two sides would openly disagree. As a result, neither side discussed the situation in Iraq or the Middle East.

16. (SBU) Regarding North Korea, PM Khai reiterated Vietnam's policy in favor of a nuclear-free Korean Peninsula, while PM Koizumi expressed concern about recent developments and called upon all those with good relations with Pyongyang to weigh in with the DPRK leadership. PM Khai responded that Vietnam's ability to influence the situation in the Korean Peninsula was "very limited," and suggested instead that the PRC and Russia had more influence with Pyongyang. At a subsequent press conference, PM Khai reiterated publicly Vietnam's view that the United Nations should have a central role in Iraq's reconstruction. He also pleaded for more international assistance to help Vietnam "overcome the effects of Agent Orange."

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TRADE/ODA

17. (SBU) Vietnamese media highlighted PM Khai's discussion of a long-awaited bilateral investment agreement, which the two sides agreed in principle during the visit to complete by the end of 2003. The Japan Studies Center's Minh said that "technical" sticking points revolve around finance, banking, and insurance. According to Japanese emboffs, however, the GOJ had proposed such an agreement in 1999 but were now no longer particularly interested, nor did they believe it would make much difference to Japanese investors. At this point, Japanese investors are more concerned about the larger investment environment, and the need for increased "transparency and predictability," they noted. They cited in particular recent problems caused by "sudden and unexpected" tariff increases imposed on imported Japanese motorbike kits (and auto kits), an issue that also came up during General Secretary Manh's visit last April. Japanese businesses also want to see more open markets, the emboffs added. Separately, Japanese Embassy Econ/C confirmed that Japan was seeking "BTA MFN" for Japan investors, i.e., service sector market access.

18. (U) Also during the visit, the two sides agreed to establish a Vietnam - Japan Joint Committee to study the investment climate in Vietnam. The Committee will be co-chaired by Vietnam's Minister of Planning and Investment, Vietnam's ambassador to Japan, Japan's ambassador to Vietnam, and the head of the Japan - Vietnam Committee. Japanese emboffs said that the two sides hope that this committee will improve the overall economic relationship and investment environment in Vietnam. Separately, the Japan Studies Center's Minh opined that the GVN hopes to "reassure" the Japanese business community that Vietnam is a "reliable investment partner." Japan is the third-largest investor (after Singapore and Taiwan); Japanese emboffs expressed puzzlement that PM Khai had claimed publicly during his visit that Japan was the leading foreign investor. Japan has 364 projects capitalized at just over USD 4.2 billion to date, covering industry, agriculture, forestry, post and telecommunications, and hotel services. Japan is also Vietnam's largest trading partner, with two-way trade valued at almost USD five billion in 2002.

19. (SBU) Japan is Vietnam's largest ODA (much or most of it in the form of soft loans, rather than grants, however) donor and had pledged USD 8.2 billion from 1999 - 2002, according to press reports. For the current fiscal year, Japan has pledged about USD 783 million. Japan represents about 40 percent of Vietnam's total ODA. Despite Japan's difficult economic situation, Vietnam was one of the few ODA recipients not to suffer funding cuts this year, according to Japanese emboffs. Japanese officials emphasized to PM Khai and his delegation that Vietnam needs to use Japan's ODA "more effectively." PM Khai, for his part, thanked Japan for its assistance and pledged that Vietnam would use its reform process to maximize Japan's assistance.

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NO SARS

10. (SBU) According to Japanese emboffs, neither side discussed the SARS outbreak in Vietnam or the region. Japan has neither attempted to limit Vietnamese tourists or workers from coming to Japan, nor issued any travel warnings to Japanese citizens coming to Hanoi. About 220,000 Japanese tourists visited Vietnam in 2002.

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WHAT'S NEXT?

11. (SBU) The next big event on the horizon is the 30th anniversary of bilateral relations in September 2003. Celebrations are planned in both countries. However, they are likely to be modest, emboffs predicted, since Japan has a "limited budget" to fund such events. While Vietnam is

hoping for an imperial visit, emboffs predicted that this was "unlikely." The two Prime Ministers will visit each other's country to participate in multilateral fora such as the Asia-Europe Meeting in Hanoi in 2004 and the ASEAN + Japan Commemorative Summit scheduled for December 2003 in Japan. One of Vietnam's deputy prime ministers will likely visit Tokyo during the 30th anniversary celebration.

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COMMENT

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112. (SBU) For such a meaty bilateral relationship, this visit was surprisingly weak on substance. PM Khai's goals may have been two-fold: to demonstrate to folks back home the personal efforts he is making to energize one of Vietnam's most important economic relationships, and to counterbalance in the minds of Japanese and other international observers any perceived tilt toward Beijing potentially implied by the rival visit of GS Manh to the new PRC leadership.  
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